



Challenges for active labour market policies in G7 countries

International Labour Organization

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ILO talking points

A. Overview

Active labour market policies (ALMPs) have increasingly been used to improve the labour market integration of individuals – particularly those who are at a disadvantage in the labour market, usually to support transitions from unemployment to employment. Their function is to mediate between labour supply and demand, to mitigate education and labour market failures, and to promote efficiency, equity, growth and social justice. They complement rather than substitute for macroeconomic policies and, if properly designed and implemented, can target the most disadvantaged groups of workers.

There is no single type of ALMP. Their scope varies widely across countries and over time, although they frequently combine different measures, targeting both labour demand and supply. The design and implementation of ALMPs requires coherence and sequencing of different interventions. They usually consist of a package of different measures.

Labour markets are changing at a rapid speed and are in a state of flux. However, adjustments in the design and operational frameworks of ALMPs are not always keeping pace with the rapidity of these changes. This may leave many people, particularly young people, those not previously on unemployment insurance, the low skilled and older workers in vulnerable situations.

B. Challenges

1. Coherence of ALMPs with the overall policy context

- Active labour market policies are a key pillar of a country's active policy for the promotion of full, productive and freely chosen employment as stated in the ILO Employment Policy Convention, 1964 (No 122) - ratified by most G7 Members.¹
- Comprehensive employment policy frameworks that foster links between ALMPs and macro-economic and sectoral policies to support aggregate demand, and social policies to reduce vulnerabilities and inequality can better achieve the twin employment policy objective of improving the quantity and the quality of work.

¹ These countries are Canada, France, Germany, Italy, Japan and the United Kingdom.

- For instance, to reap the employment benefits of the Industry 4.0 or similar strategies that are being implemented in G7 countries - Manufacturing USA, *Industrie du Futur* (France), Industry 4.0 (Germany and Italy), measures promoting research and development or technological upgrading of infrastructure should go hand-in-hand with workforce development to increase productivity and avoid technological unemployment.
- Link between ALMPs and education and social policies to address labour market discouragement and inactivity, particularly among young people.

2. Expansion of target groups beyond the unemployed (management of different transitions)

- ALMPs have mostly targeted the unemployed and focused on unemployment-to-employment transitions and on school-to-work transitions.
- Rapid technological change requires addressing the needs of other target groups, including workers who need to adapt their skills in order to carry out new and diversified tasks or those requiring up-skilling to keep their job. For these groups, ALMPs should connect with learning and training strategies of enterprises, particularly in support of workers who have less or no access to enterprise-based and lifelong learning (e.g. young workers and other workers with temporary contracts, women workers, older workers, low-skilled and migrant workers).
- Workers in involuntary part-time or in intermittent work (e.g. workers of the in-demand or gig-economy) who need to expand their skills or to navigate the labour market in search of fulltime work.
- Management of transitions from inactivity to employment (or back-to-school). Expand the ALMPs portfolio to include outreach strategies and other interventions that bring people, particularly young people, back in the mainstream through personalized assistance, motivation and other types of preparatory support that can lead to meaningful participation in labour market integration measures or to resumption of education and training.
- Combination of ALMPs with supportive social services to allow for participation of individuals, particularly women, with care and other responsibilities.

3. Enhancing early intervention of ALMPs and prevention through collaboration with education institutions

- In the design of active labour market policies, early intervention prevents the problems associated with long-term unemployment and inactivity. As the duration of unemployment increases, contact with the labour market and work habits become weaker, skills deteriorate and job search intensity decreases. In some cases, this situation results in labour market discouragement and inactivity. Furthermore, the longer the period of unemployment, the more intensive and complex the labour market interventions. It is in this context that

several advanced economies are designing policies that are implemented at early stages of joblessness (e.g. within four months in the YG in EU countries). This, in some cases, conflicts with the limited resources available both in terms of funding and administrative capacity.

- This conflict, however, can be mitigated through collaboration between institutions responsible for ALMPs and education institutions. Early intervention measures that are administered during the school period address the difficulties that students may encounter, particularly for those who disengage from learning activities and are thus at high risk of dropping out. These prevention approaches can reduce pressure on institutions that are responsible for implementing remedial measures.

4. The combination of standardized and tailored approaches

- A clear message that comes out consistently from the evaluation of ALMPs revolves around the effectiveness of customized approaches, i.e. those that are tailored to the characteristics and specific labour market problems of the individual.
- This is also the case for workers needing technological skills upgrading to adapt to new tasks or transit to other jobs. Tailor-made interventions designed in partnership with enterprises (e.g. training of jobseekers for known employer) and targeting specific groups of workers.
- Compared to ALMPs with standardized design and delivery, customized approaches are more costly. This creates frictions between intensive support and availability of human and financial resources.
- In an effort to provide access to large numbers of clients, public institutions in some countries have developed ALMPs delivery systems that consist of a platform of standard support that is available to all clients with more intensive assistance that targets the most disadvantaged clients. This different intensity of support through client segmentation (e.g. by using profiling methods) allows to help more clients and, at the same time, concentrate more resources on disadvantaged individuals. It is a blend of low support for those who are more job ready (e.g. through job search skills training, group counselling, employment planning) and more intensive one through the provision of customized packages of ALMPs (e.g. participation in labour market training, subsidized employment, provision of social services) to those who are "hard to place".

5. Management of ALMPs

- Understanding skills composition and industry-specific knowledge is key to develop skills profiles that take into consideration different needs of clients.
- Implementation of more flexible procedures that allow rapid adaptation of ALMPs to labour demand (in terms of design, target group, types of programme, skills to be provided, selection and funding of provider).

6. Partnerships to expand coverage and improve effectiveness of ALMPs

- In all the G7 countries, there is mix of both direct public implementation and partnerships with the private sector/not-for-profit organizations and local institutions and partners. Evidence from the ILO's global review undertaken in 2017 shows mixed results with regard to effectiveness, cost efficiency and inclusivity. Contracting out of services does not necessarily lead to better outcomes for disadvantaged groups nor are they more cost-effective. A move towards contracting implementation while ensuring robust performance management of contractors delivers better results.
- Design of ALMPs, involvement and ownership of local actors and employers, and performance management are key issues for consideration.
- PES/PrEAs partnerships, including through client segmentation according to the principles for regulation and monitoring, as well as collaboration that are set out in ILO Convention C181.²
- Social dialogue and tripartism can play a key role in facilitating consensus on ALMPs in response to structural changes affecting the labour market. Article 3 of ILO Convention C122 calls for "consultation with the representatives of the persons affected by the measures to be taken, and in particular representatives of employers and workers with a view to taking fully into account their experience and views and securing their full co-operation in formulating and enlisting support for such policies".

7. Funding

- In 2014, the ILO estimated that the doubling of public spending on ALMPs in advanced countries could have created almost four million additional jobs.³
- The fiscal pressure on public budgets and the limited allocations for labour market policies that resulted from fiscal consolidation linked to the global economic and financial crisis have reduced the capacity of ALMPs to support labour market activation. With the exception of a G7 country (France) that allocated 1.01 per cent of GDP to ALMPs, the allocation of the other countries is below one percentage point, although some have increased their spending in the past few years.⁴

² The Private Employment Agencies Convention, 1997 (No. 181) was ratified by the following G7 countries: France, Italy and Japan.

³ See ILO, Global Employment Trends, Geneva, 2014.

⁴ In 2015, the percentage of GDP devoted by G7 countries to ALMPs was the following: CAN 0.24, F 1.01, D 0.63, I 0.51, JAP 0.14, UK 0.23 and USA 0.10 (average G7: 0.41). Canada and Italy, for instance, have recently increased allocations for ALMPs.

8. Strengthening performance monitoring and evaluation to invest in what works and distil lessons for policy effectiveness.

- Need for cost-effective ALMPs, with measurable outcomes and performance management indicators. These policies should be seen as an investment in reducing the economic and social costs resulting from unemployment, underemployment and inactivity and in promoting sustainable integration in the labour market through decent jobs.
- Compared to two decades ago, more evidence from evaluation is available, particularly from G7 and other advanced economies. The evaluations conducted over the past 20 years show mixed results in respect of the effectiveness of ALMPs in promoting sustainable (re)-integration in the labour market. Evidence shows that most interventions are focused on the unemployed and on the supply side of the equation with limited impact on employment outcomes.
- Knowledge gaps exist in terms of the groups that benefit most from ALMPs, the results of ALMPs targeting groups other than unemployed (e.g. inactive, underemployed) and reasons for different results of similar interventions in different times. Performance monitoring and assessment methods can help understand what makes ALMPs work in a setting and not in another. Evaluation methodologies need to include a social cost-benefit component to go beyond the simple measurements of employment and earnings probabilities at the individual level.
- The lessons from evaluation and research do not always reach policymakers or give details that practitioners responsible for the formulation or daily implementation of ALMPs would like to have. At times, these lessons are too generic and do not provide enough information. This challenge needs to be addressed in order to make evaluation findings more practical and applicable.

C. The way forward: What can G7 countries do together?

- Conducting joint and comparative analysis of what works in respect of emerging issues for ALMPs (e.g. expanded target groups, innovative interventions).
- Knowledge-sharing among G7 countries, including through bench-learning with a view to responding effectively to the challenges brought about by technology and other changes in the labour market
- A group of experts on ALMPs that discusses about emerging issues and active labour market policy innovation (face-to-face) during G7 meetings
- The previous group could be permanently connected through the space of the G7 Future of Work Forum devoted to ALMPs

Annex 1: International labour standards relevant to ALMPs

- **Employment Policy Convention, 1964 (No. 122).** Convention No. 122 requires member States to pursue an active policy designed to promote full, productive and freely chosen employment. Each ratifying country shall decide the measures to be adopted for attaining productive employment, including the establishment of programmes for the application of these measures. Article 3 of this Convention calls for consultation with the representatives of the persons affected by the measures to be taken, and in particular representatives of employers and workers with a view to taking fully into account their experience and views and securing their full co-operation in formulating and enlisting support for such policies.
- **Discrimination (Employment and Occupation) Convention, 1958 (No. 111).** This Convention requires countries to ensure non-discrimination based on race, colour, sex, religion, political opinion, national extraction or social origin in access to vocational guidance, vocational training and placement services, under the direction of a national authority.
- **Employment Service Convention, 1948 (No. 88).** This Convention requires ratifying countries to maintain or ensure universal access to free public employment service. The role of the employment services is to: a) assist workers to find suitable employment and assist employers to find suitable workers; b) take appropriate measures to facilitate occupational and geographical mobility; c) collect and analyse information on the situation of the labour market and make such information systematically available; and d) cooperate in the administration of unemployment insurance and assistance and of other measures for the relief of the unemployed.
- **Private Employment Agencies Convention, 1997 (No. 181).** This Convention recognizes that private employment agencies (PrEAs) can contribute to the functioning of the labour market and sets general parameters for the regulation, placement and employment of workers recruited by PrEAs and, in particular, temporary work agencies. At the same time, the Convention promotes cooperation between the public employment services (PES) and PrEAs to ensure the most efficient functioning of the labour market, with the PES still maintaining the authority managing labour market policies.
- **Human Resources Development Convention, 1975 (No. 142).** Convention No. 142 requires countries to develop comprehensive policies and programmes of vocational guidance and training with a view to enabling all persons, on an equal basis and without any discrimination, to develop and use their capabilities for work in their own best interests and in accordance with their own aspirations.

